

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF COLUMBIA GAS OF)
KENTUCKY, INC. FOR AUTHORITY TO) CASE NO. 97-299
PERMANENTLY ADOPT A WEATHER)
NORMALIZATION ADJUSTMENT MECHANISM)

O R D E R

Columbia Gas of Kentucky, Inc. ("Columbia") has applied for authority to continue its Weather Normalization Adjustment ("WNA") on a permanent basis. In Case No. 94-179,¹ the Commission approved Columbia's use of a WNA on a trial basis for a three year period ending in April 1997.

On June 30, 1997, Columbia filed its application with the Commission and subsequently submitted minor amendments. The Attorney General ("AG") was the only party to intervene in this matter. He neither requested a hearing in this matter nor opposed Columbia's application. Following discovery and in the absence of any request for hearing, this matter was submitted for decision.

The WNA is designed to mitigate the effects of weather on the recovery of a utility's fixed costs. Utility rates are designed to recover these costs based on normal weather conditions. Abnormal weather conditions and their accompanying effect on natural gas sales will prevent the recovery of the appropriate level of these fixed costs.

¹ Case No. 94-179, Notice of Adjustment of the Rates of Columbia Gas of Kentucky, Inc. On and After July 1, 1994 (Nov. 1, 1994).

The WNA adjusts residential and commercial customer bills during the winter heating season to, as closely as possible, ensure the utility's recovery of these costs at the authorized level.

Having considered the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. The WNA has minimized the impact of weather on customer bills and company revenues with a relatively low level of customer complaint.

2. The WNA has a stabilizing effect on Columbia's earnings. In abnormally cold winters, it minimizes Columbia's ability to achieve a rate of return on equity in excess of its authorized rate due to abnormal weather conditions. In abnormally warm winters, it provides earnings protection to Columbia's shareholders and avoids the need for more frequent rate proceedings. Columbia's increasing level of return on equity appears to result from other factors.

3. Use of the WNA should be continued on a permanent basis.

4. Columbia has proposed minor modifications to the formula used to calculate the WNA. These modifications will not affect the level of any WNA. Application of the proposed formula will produce the same results as the formula currently used to calculate the existing WNA.

IT IS THEREFORE ORDERED that:

1. Columbia's application to continue use of the WNA on a permanent basis is granted.

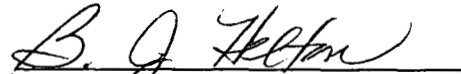
2. First Revised Sheet No. 51a is approved for bills rendered on and after the date of this Order.

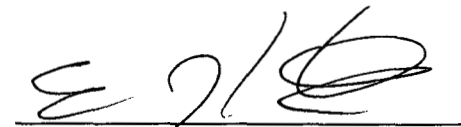
3. Within 30 days of the date of this Order, Columbia shall file with the Commission an executed copy of First Revised Sheet No. 51a in accordance with Administrative Regulation 807 KAR 5:011, Section 7.

4. Columbia shall continue to file, no later than June 30 of each year, a report on the operation of the WNA which includes monthly data and totals for the heating season for residential and commercial customers subject to the WNA.

Done at Frankfort, Kentucky, this 1st day of December, 1997.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director